

sustained by formal law, but it maintained New England bank currency for a generation at par with gold and prevented any losses to note-holders larger than a fraction of one per cent, of the entire volume of circulation.

New York tried two banking systems under which many strong banks were created, but both of which failed in some degree through defects of detail. The early New York banks issued notes against their general assets and were chartered under special acts of the legislature, which were granted to some extent as political favors. The Bank of New York was incorporated by Act of March 21, 1791, after having done business for seven years under articles of association drawn by Alexander Hamilton. This bank retained a practical monopoly in New York City until 1799, when the Manhattan Company began a banking business with a capital of \$2,000,000. The charter was obtained by the management of Aaron Burr and would undoubtedly have been refused by the Federalist majority in the legislature if it had been clearly understood that it carried banking powers; but the charter was granted for the avowed purpose of supplying the City of New York with pure water and cloaked the banking power under a general provision permitting the company to employ its surplus in any moneyed transactions not inconsistent with the laws of the State.¹ Six additional banks were chartered up to 1811 ; nine additional in that and the following year, after the lapse of the charter of the Bank of the United States; and twenty-four more from 1813 to 1825.

Thirty New York bank charters were to expire between 1829 and 1833, and Governor Van Buren in the former year urged upon the legislature a sweeping measure of reform. He presented what is known as "the safety-fund plan," which he stated had been presented to him by Mr. Joshua Forman of Syracuse. Mr. Forman declared that * * The propriety of making the banks liable for each other was suggested by the regulations of the Hong merchants in Canton, where a number of men, each acting separately,

¹ Roberts, 477.